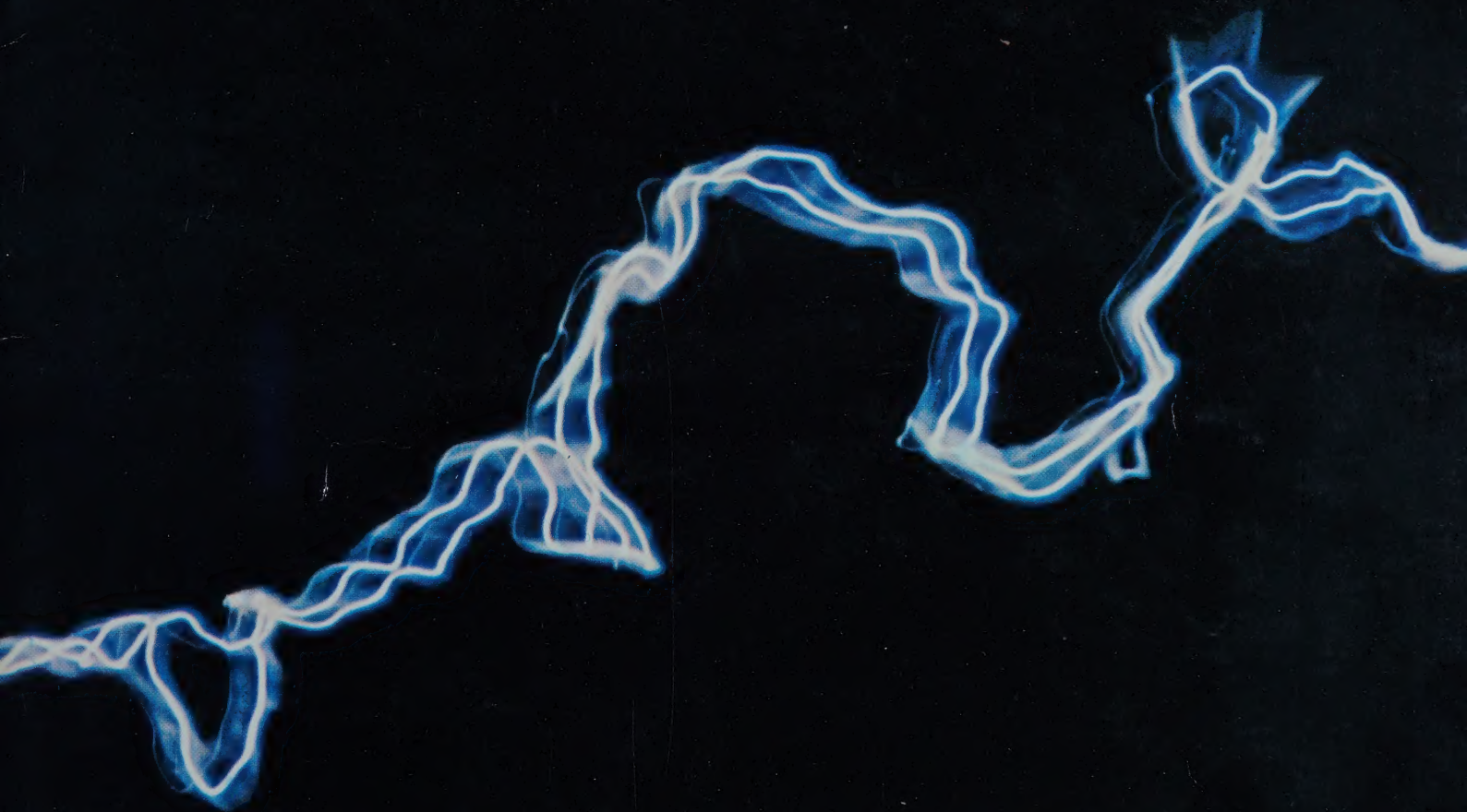




AR79



Canadian General Electric Company Limited

Head Office

214 King St. West, Toronto, Ont.

Active consolidated subsidiaries

Amalgamated Electric Corporation, Limited
Dominion Engineering Works, Limited
Dominion Engineering Company Limited
Genelcom Limited
Montreal Armature Works Limited
W.L. Stevens Ltd.

Active non-consolidated subsidiaries

Genelcan Limited (formerly Canadian General Electric Credit Limited)
Genelco Realty Limited

Auditors

Peat, Marwick, Mitchell & Co., Toronto, Ont.

Transfer Agent and Registrar

National Trust Company, Limited, Toronto, Ont.

Board of Directors

The Board of Directors is comprised of business leaders with broad and diverse management experience. A majority of the Directors are Canadian citizens and, with exception of the year 1955, this has been the case since incorporation of the Company in 1892. Members of the Board are listed below in order of their seniority on the Board with the year they were elected to the Board shown in parentheses.

J. Alexandre Béland, President, The Empire Shirt Manufacturing Company Limited, Louiseville, Quebec. (1958)

Paul Desruisseaux, Q.C., Chairman and President, Desmont Research & Development Inc., Montreal, Quebec. (1964)

MacKenzie McMurray, Chairman and President, Dominion Bridge Company Limited, Montreal, Quebec. (1966)

Maxwell C. G. Meighen, Chairman of the Board, Canadian General Investments Limited, Toronto, Ontario. (1966)

William F. McLean, President, Canada Packers Limited, Toronto, Ontario. (1967)

Robert V. Corning, Vice President and General Manager, Lamp Business Division, General Electric Company, Cleveland, Ohio. (1967)

Walter G. Ward, Chairman of the Board and Chief Executive Officer, Canadian General Electric Company Limited, Toronto, Ontario. (1968)

Harold M. Griffith, Chairman of the Board, The Steel Company of Canada, Limited, Toronto, Ontario. (1968)

Paul E. Wallendorf, Vice President and Consultant, General Electric Company, New York, New York (1970)

Stanley C. Gault, Vice President and Group Executive—Major Appliance Business Group, General Electric Company, Louisville, Kentucky (1970)

Alan G. Trites, Q.C., Vice President, General Counsel and Secretary, Canadian General Electric Company Limited, Toronto, Ontario. (1971)

Robert B. Kurtz, Vice President and Group Executive—Industrial Group, General Electric Company, Stamford, Connecticut. (1972)

Alton S. Cartwright, President, Canadian General Electric Company Limited, Toronto, Ontario. (1972)

Edward E. Hood, Jr., Vice President and Group Executive—Power Generation Business Group, General Electric Company, New York, New York. (1972)

John F. Burlingame, Vice President and Group Executive—International and Canadian Group, General Electric Company, New York, New York. (1973)

Highlights of operations

	1973	1972
Financial		
(Dollar amounts in millions; per-share amounts in dollars)		
Sales of products and services.....	\$583.4	\$530.2
Net earnings.....	20.8	18.6
Earnings as percentage of sales.....	3.6%	3.5%
Net earnings per share (a).....	\$ 2.54	\$ 2.27
Dividends declared per share:		
Common.....	1.00	1.00
Cumulative convertible preferred.....	1.25	1.25
Plant and equipment additions.....	14.2	15.1
(a) Assuming all cumulative convertible preferred shares converted to common shares.		
Statistical		
Average number of employees.....	17 890	17 583
Number of shareholders of common and convertible preferred.....	1 486	1 500
Common shares outstanding at year end.....	7 560 435	7 559 288
Sales by major categories		
	(In thousands)	
Apparatus and Heavy Machinery.....	\$215 313	\$199 550
Construction and Industry Supplies.....	226 973	213 668
Consumer Products.....	173 460	148 252
Corporate eliminations and unallocated items.....	(32 332)	(31 296)
Total Company.....	\$583 414	\$530 174
Sales by category include inter-category transactions. To the extent that sales are recognized in more than one category, appropriate elimination is made at the corporate level.		

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Chairman's Comments



Canadian General Electric continued its improvement in sales in 1973, and for the third consecutive year accomplished record earnings. Sales and net income were 10 per cent and 12 per cent above 1972, respectively. Net income, as a percentage of sales, was 3.6 per cent compared with 3.5 per cent in 1972.

Net earnings per share, assuming the conversion of all preferred shares to common, were \$2.54 compared to \$2.27 in 1972 and \$1.77 in 1971. The improved earnings were broadly based. Sales and net income exceeded those of last year in the core businesses of each of the three Business Divisions. Each Division improved its market share.

The Heavy Water Plant recorded losses \$1.3 million higher than those of 1972. Total after-tax losses due to Heavy Water in 1973 were equivalent to \$.51 per share. The plant was shut down for 10 weeks from June 21st because of a strike. Extensive tower modifications were made during September and October and by December the improvements had significantly increased production. By the end of the year output was close to design capacity.

During the last half of 1973, market demand for all major products was at a high level, with orders for heavy capital equipment being particularly strong. Capital-equipment customers were moving to take advantage of the special two-year investment incentive program which the government plans to terminate at the end of 1974. There was also a need for new equipment to increase production capacity in the industrial and resource areas.

During the year the Company received a number of major orders of significance to Canadian General Electric's growth.

The ability to provide customers with integrated mechanical and electrical systems was demonstrated when the Company received a \$38 million order for the hydro generators and hydraulic turbines which will be installed at Manitoba Hydro Commission's Long Spruce Project, and a \$21 million contract for the complete cold rolling mill and its drive system to be built and installed for Dominion Foundries and Steel Limited.

The international competitiveness of Company-developed technology, which is based on more than 70 years of experience in hydro-power generation, was confirmed when the company received an order to supply the world's largest-ever hydro-electric generators, to be installed at the giant Grand Coulee Project in Washington State.

The capability to broaden Dominion Engineering Works' export business was advanced through the second sale of the Canadian-developed paper-making Papriformer equipment into the United States.

The Company was also awarded the largest order ever placed in Canada for nuclear fuel, thereby maintaining its strong position in the important nuclear power industry.

The Company also enhanced considerably its strategy to attain a leadership position in the important growth-market for solid-state high-voltage direct-current power transmission by concluding a \$20 million agreement with the British Columbia Hydro Commission that calls for the Company to provide a major high-voltage direct-current link between Vancouver Island and the British Columbia mainland.

Each Business Division carried out numerous activities in 1973 in an effort to continue to improve the value of products and services offered by the Company.

The Apparatus and Heavy Machinery Division completed plans to expand the Sept Iles Service Shop in Quebec, and to establish a major new Service Shop in Burlington, Ontario. In a very significant area of technological innovation, a program for the engineering design and development of extra-high-voltage air-blast circuit-breakers is underway.

The Construction and Industry Supplies Division made investments to expand and develop product leadership in base-board electric heaters for a fast-growing market.

New directions were also taken by the Consumer Products Division when they introduced 14 new products over the year. Among them were a solid-state color-TV line, digital clock radios, micro-wave ovens, self-cleaning irons and self-ballasted mercury lamps.

Both the Consumer Division and the Construction and Industry Supplies Division began programs to upgrade extensively the physical distribution of each Division's products. The facility at Rexdale in Ontario has been assigned to the Consumer Division for a central regional warehouse and product service centre.

Corporate management continued its efforts to establish the strategic framework for the future expansion and diversification of Canadian General Electric.

Progress made on several key strategic planning alternatives is expected to have a positive long-term impact on the Company's future.

A Company-wide communication program to encourage employee involvement in "Working Together To Give Our Customers Their Money's Worth" was developed and integrated with a consumer radio advertising campaign, using employees who described how they work to give the customer his and her "Money's Worth".

With the emphasis on productivity improvements, the Company invested in excess of \$14 million in new equipment last year. This program helped to achieve record cost-reductions of \$35 million in 1973.

Another significant investment was the more than \$1 million per month expended for Canadian research and development in 1973. In addition to our specialized R&D programs, we maintained access to the complementary technology of the General Electric Company.

A number of organizational changes were made in 1973 which will have long-term payoffs. The age distribution of the management group improved and the number of employees under 35, in the middle and senior management positions, increased by 17 per cent.

The Company was not without problems in 1973, some of which will carry over into 1974. A major problem is the supply and cost of materials. Material costs for the Company rose six per cent in 1973 compared with an average increase of 1.2 per cent over the preceding four years. Similar increases are expected in 1974. Inflation is also creating an accelerating cost-push pressure on wage settlements.

The recent wage and benefit settlements with the United Electrical Workers and the International United Electrical Workers, the two primary unions representing Company employees, were the highest in the history of the Company. Canadian General Electric workers have now exceeded wage parity with many of their counterparts in the United States and other parts of the world.

The increasing value of the Canadian dollar, which reduces the cost of imported materials immediately, will gradually result in increased competition from foreign imports of manufactured goods. At the same time, our ability to sustain the recent gains made in export markets will be impaired seriously.

There is still uncertainty as to the future disposition of the corporate tax rate, which was reduced in 1973 but is subject to review in 1974. An increase in taxes will almost certainly put Canadian manufacturers at a cost disadvantage with U.S. companies.

Current world-wide economic and social problems make the immediate future more than normally uncertain. However, the consensus is that the Canadian economy will fare relatively well in 1974. Meanwhile, Canadian General Electric is well-positioned to serve a growing economy, particularly one that is shifting its energy requirements toward electricity, and is expanding its resource industries.

Business investment in non-residential construction and new machinery equipment is booming and the outlook for 1974 is favourable. Business inventories are thin. Housing starts turned down in the last half of 1973 and the decline might continue into 1974.

The increasing demand for appliances experienced over the last two years is not expected to continue in 1974. The level of demand is likely to be about the same as in 1973, and near-future growth will be modest.

The Apparatus and Heavy Machinery Division and Construction and Industry Supplies Division on the other hand have some very significant projects to look forward to, including:

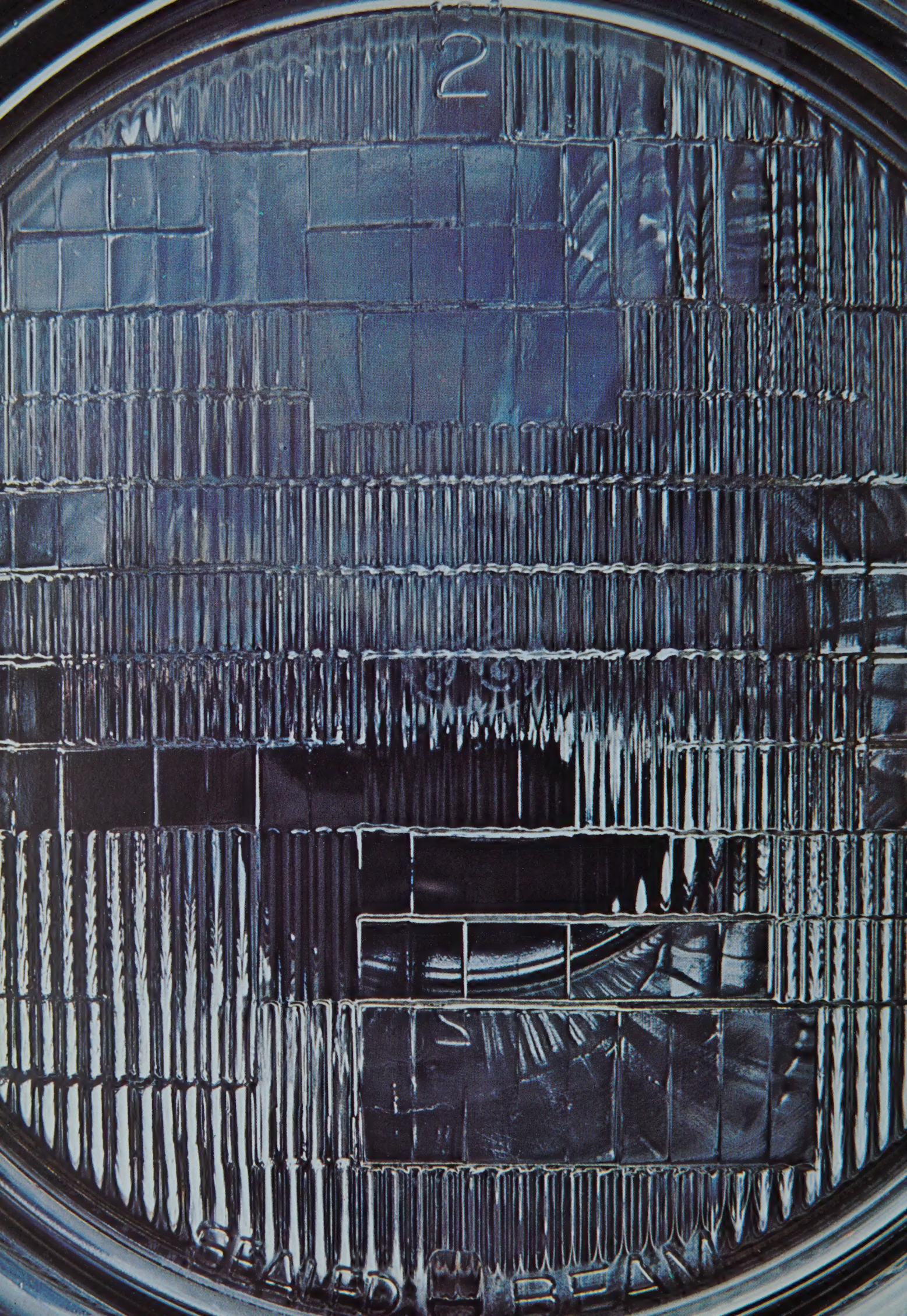
- the James Bay Hydro-Electric Power Project
- interprovincial pipeline expansion into Montreal
- at least one new pipeline from the Arctic
- development of the Alberta Tar Sands

All in all, the near-term outlook is favourable for the electrical industry and for Canadian General Electric in the growing domestic and international markets.

On behalf of the Board of Directors



Chairman of the Board
and Chief Executive Officer
Toronto, March 29, 1974



How CGE helps electrify the world

Canadian General Electric researches, develops, designs, engineers, and manufactures a broad range of products for export as well as for domestic markets.

The Company has customers in 60 countries who buy its Canadian-made products ranging from 40-watt household light bulbs to multi-million dollar hydro-electric generators.

Canadian General Electric has also contributed significantly to CANDU nuclear technology.

The Canadian CANDU system, as exemplified by the world's largest operating nuclear station at Pickering, Ontario, is also producing electricity in a station built by Canadian General Electric in Pakistan. Argentina has contracted for a CANDU reactor and Korea has announced its intention to purchase one reactor from Canada, with an option on a second.

The Company's 1973 export orders broke Company records by climbing to more than \$84 million.

Hundreds of thousands of CGE automotive headlamps, like the one at left, are exported each year to West Germany for installation on world-famous Volkswagen vehicles.



Largest-ever generators to be built by Canadians

In a 1973 competition with Russian, Japanese, and American suppliers, Canadian General Electric won a contract for three hydro-electric generators to be installed at Grand Coulee Dam in Washington State. The generators will be the largest such units ever manufactured and will provide sufficient power to satisfy the entire electrical needs of a city the size of Toronto.

The customer's specification provided "evaluation for a bid" with 51 per cent American content, so a joint bid was submitted with Allis-Chalmers of York, Pennsylvania, who will provide the hydraulic turbines. The Company will deliver the generators, switchgear, and associated equipment, worth more than \$20 million installed.

The generators will be made in Lachine, Quebec, and Peterborough, Ontario, using Canadian General Electric design and engineering. The contract means 625,000 hours of employment for Canadians.

Each unit will produce 700,000 kilowatts of power and have an overload capacity of more than 800,000 kilowatts.

Supplier to India project for almost two decades

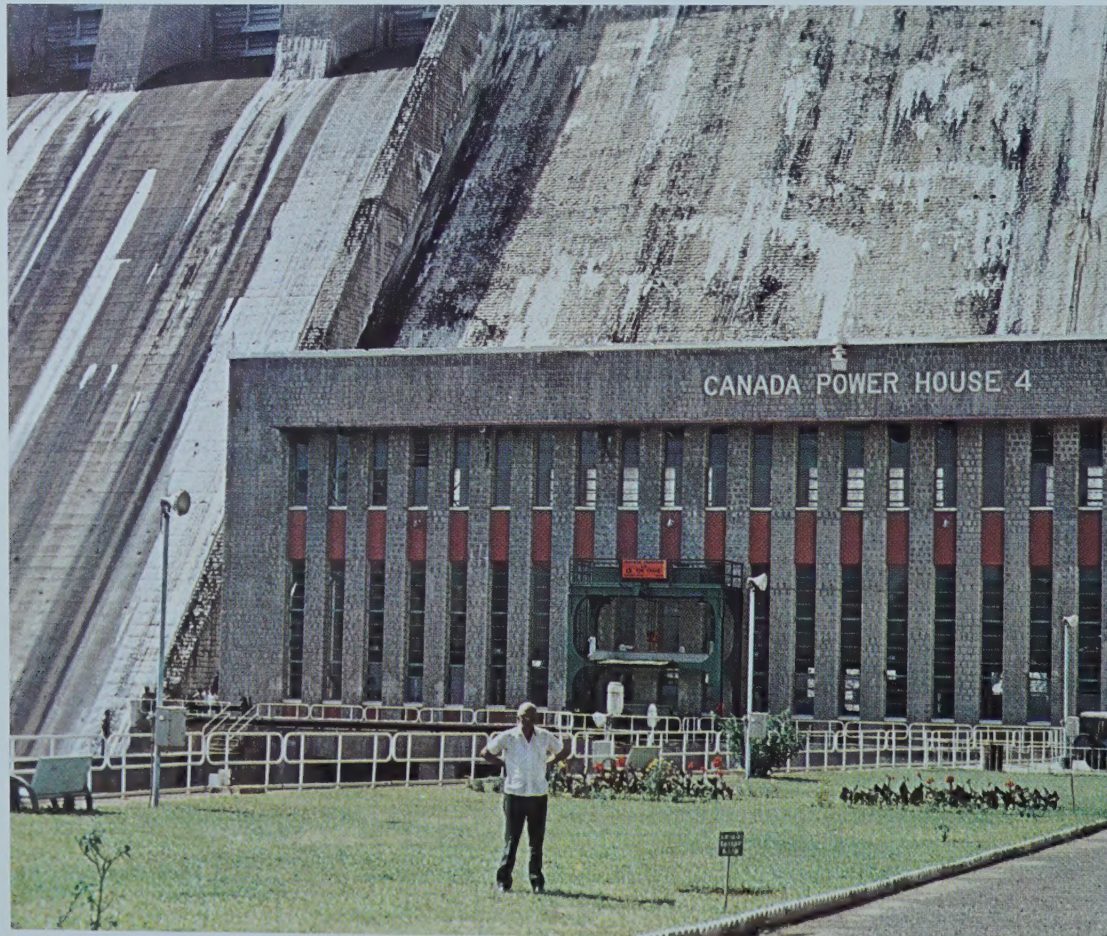
Since 1955, Canadian General Electric has been supplying equipment for the giant Kundah hydro-electric project in Tamil Nadu, the most southerly state on the sub-continent of India.

In 1973 alone, the Company received orders for two hydraulic turbines and two hydro-electric generators and associated switchgear for Stages Three and Four of the project. The turbines will be built in Lachine, Quebec; the generators and switchgear at Peterborough, Ontario.

The Kundah Project powers 100,000 agricultural pump-sets which irrigate 400,000 acres and it has had a significant stimulating effect on the industrial and economic growth of the region.

Housewares success in tough U.S. market

Two Canadian General Electric housewares products designed and manufactured in Barrie, Ontario, are enjoying increasing success. Humidifier sales into the United States during 1973 were seven times greater than in 1972, and kettle shipments nearly doubled.



1 The Kundah hydro-electric project, to which CGE has been supplying equipment for nearly two decades.

2 Thousands of these electric kettles were exported to the U.S. market last year from the Barrie housewares plant.

3 Assembling range timers for export at the Quebec City plant. Eighty new employees were hired in 1973 to support export sales growth.

4 Art Smith and his wife Joan receive the Gerald L. Phillippe Award from CGE Chairman Walter G. Ward. At left is Vice President Richard C. Johnston, General Manager of the Nuclear and Chemical Products Department.

5 The Grand Coulee Power Project, State of Washington. Record export orders received in 1973 included a contract won in international competition to build the world's largest hydro-electric generators for this project. Photo supplied by U.S. Bureau of Reclamation.



Sales come easier if the people are there

Many Company people are involved in an export sale and the follow-up installation and field service work.

Canadian General Electric international sales and service people log hundreds of thousands of miles uncovering and satisfying electrical, mechanical and service needs.

(Specific 1973 installations included hydraulic generators in India and South America, steam turbine generators in Africa and Puerto Rico, power transformers in three African countries, and mining equipment in Greenland).

But people are more than skills, training and knowledge. For example, Art Smith, who was financial manager at Karachi, Pakistan, where the Company built the KANUPP reactor, and his wife Joan, worked tirelessly promoting the welfare of the Canadians, Americans and Pakistanis.

During their stay in Pakistan, the Smiths did organizational and fund-raising work to help upgrade educational and medical facilities in the community.

Last year, Art and Joan were recipients of a General Electric Gerald L. Phillippe Award for "distinguished public service".



Canadian range timer a certified world champ

The Company's Quebec City meter and instrument plant makes range timers, which are clock-like devices that start, stop and count off cooking times on household ranges.

The Company makes every range timer sold in Australia and New Zealand and also enjoys 50 per cent of the United Kingdom market and 70 per cent of the markets in South Africa and Greece.

4

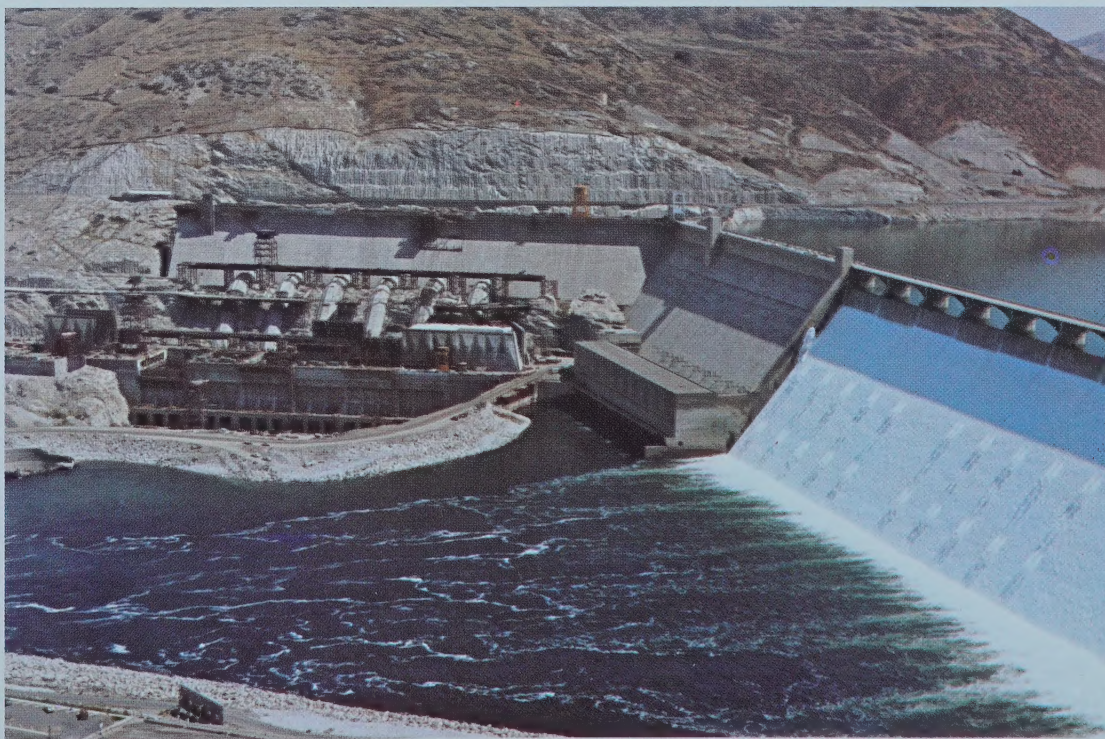


Strong and light FRE duct sales soar

FRE duct is a new fibreglass-reinforced epoxy conduit developed by Canadian General Electric for underground and underwater ducting of electric power lines and telephone cables. This product has exceptional strength and a 20-foot section of two-inch pipe weighs just six pounds.

One hundred thousand of the 1.5 million feet of FRE duct manufactured during 1973 is being used to carry communication cables across the Potomac River in Washington, District of Columbia. FRE duct is also being employed in the underground runway lighting system for Oklahoma City's International Airport.

The Company plans to double its FRE duct production capacity at its St. Andrew's East, Quebec, plant.



Radio transmitters destined for India

During 1973, the Government of India purchased five Canadian General Electric ground-to-aircraft dual radio transmitters, along with their accessories and spares, to be installed in four Indian locations.

The units were designed and are being built at the Company's Royce electronics centre in Toronto.

Similar Company-built systems are in use in Canada and South America.

Four lamp plants ship to 48 countries

During the year, the Company shipped a variety of automotive, photographic, fluorescent and incandescent lamps manufactured in its four lamp plants to customers in 48 countries.

Export sales of Canadian General Electric lamps have grown from two to 13 per cent of total lamp sales during the last 10 years.

Automotive lamps represent the fastest growing segment of the export market. During 1973, the Company shipped automotive lamps to customers in the European Common Market countries, Australia, New Zealand and South Africa.

South America booms with hydro projects

The mountainous terrain and abundant supplies of flowing fresh water reflect the vast hydro-electric potential of South America. The Company is engaged in major hydro projects in Colombia, Venezuela and Brazil. The Apparatus and Heavy Machinery Division supplied nine hydraulic turbines and five hydro-electric generators to these projects during the year.

The Company also obtained an order for 73 large oil circuit breakers from the electric utility which supplies power to Rio de Janeiro and Sao Paulo, Brazilian cities of more than 6,000,000 people.

In addition, the Company won orders for four hydro-electric generators to be installed at the Guri Project on the Caroni River in Venezuela.



1 One of four 138,125 horsepower hydraulic turbines produced at DEW, Lachine, for the Volta Grande power project in Brazil.

2 Millions of these incandescent lamps were produced last year at the Company's Oakville West, Ont., plant for shipment to markets in the U.S.

3 Shipment of high-voltage oil circuit breakers for Brazil being loaded aboard ship at Montreal after shipment by rail from the Peterborough plant.



Divisions

Canadian General Electric operations and product departments are organized into three Business Divisions. The next six pages describe some of the 1973 Division highlights.

Below are CGE President Alton S. Cartwright (standing) with Vice Presidents and Division Executives Reginald D. Richardson (seated left), Construction and Industry Supplies Division; William R.C. Blundell (seated right), Apparatus and Heavy Machinery Division; and William D. Rooney, Consumer Products Division.



Apparatus and Heavy Machinery Division

Only about 35 per cent of Canada's hydro-electric potential has been developed. These enormous resources have encouraged the Company to engage in extensive research and development of hydro-electric technology since early in the 20th century. In 1973 alone, the Montreal-based Apparatus and Heavy Machinery Division invested more than a million dollars a month in indigenous electrical generation and transmission technology.

With the rapidly increasing demand for electrical energy both here and abroad, Canadian General Electric appears justified in its pursuit of world stature in this exciting technology.

New developments gain international renown

Two recent Canadian General Electric innovations have gained international recognition. One is Dominion Engineering Works' Papriformer, a compact and cost-cutting paper maker. The other is the high-voltage direct-current electrical transmission system.

The Papriformer is having a significant impact on the paper industry, with five installed or on order at year-end. Three were sold abroad, including two in the United States.

The high-voltage direct-current system, utilizing solid-state technology pioneered by Canadian General Electric, facilitates linkage of major power systems as a result of its capacity for efficient transmission of large amounts of electricity over difficult geography by going underground, underwater or over very long distances.

During 1972, the Company linked Hydro Quebec with New Brunswick Electric Power Commission at Eel River, New Brunswick. The ongoing research facility at Eel River has attracted utility engineers from around the world. At the end of 1973, the Company obtained an order for a similar high-voltage direct-current system to connect Vancouver Island with the British Columbia mainland utility.



1 Two hydraulic turbine shafts at DEW, Lachine. The short one is for the power project at Churchill Falls, Labrador; the tall one is for the Kettle station on the Nelson River in Manitoba.

2 The expanding railroad industry utilizes these Peterborough-built AC alternators to convert mechanical diesel power to electrical power which in turn drives traction motors.

3 This operator is performing a machining operation on the stator frame support structure of a steam turbine generator being built at Peterborough.

4 This Dominion Papriformer built at Lachine and installed in a Quebec paper mill, produces high-quality newsprint.



Major orders received from utilities and industries

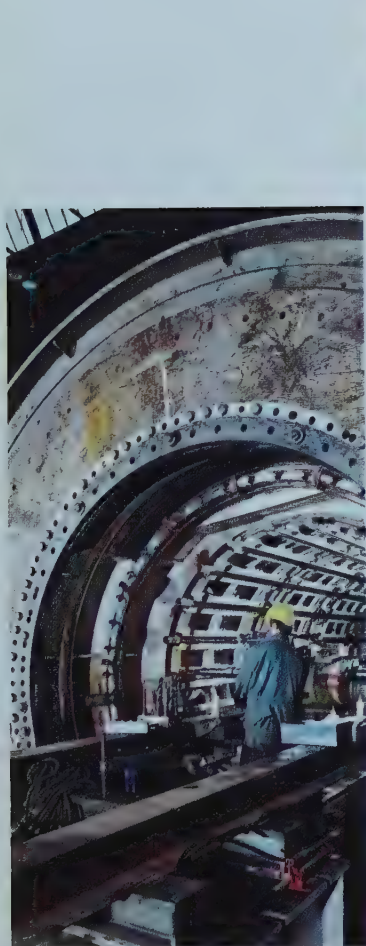
Other Apparatus and Heavy Machinery Division highlights:

- Dominion Engineering Works at Lachine, Quebec, was awarded a \$17.5 million contract (the largest single order ever received by Dominion Engineering Works) for 10 hydraulic turbines to be installed for Manitoba Hydro at the Long Spruce Project.
- The Division successfully bid on a \$21 million five-stand cold mill, including both mechanical equipment and drive systems, for Dominion Foundries and Steel Limited in Hamilton, Ontario.

• The Company's electrical and mechanical engineering ability and technology again combined to win a \$4.8 million contract for rolling mill equipment to be installed at Alcan's aluminum cold mill in Kingston, Ontario.

• Also in the Kingston area is Ontario Hydro's Lennox station which received the first of four 500,000 kilowatt steam turbines from Canadian General Electric's steam and gas turbine plant at Scarborough, Ontario. The generators for these units are being supplied by the Company's plant in Peterborough, Ontario.

Other important Division activities are reported in the Export section on pages 5-8.



Construction and Industry Supplies Division

Two significant highlights of 1973 for the Construction and Industry Supplies Division were the installation of one of the world's most modern police communication systems, and the success of Canada's first and only privately-owned heavy water plant, which approached design output at year-end.

The Construction and Industry Supplies Division serves construction and industrial markets through a national distribution system of sales offices and warehouses reaching from Victoria, British Columbia, to St. John's, Newfoundland. The distribution network provides efficient service to thousands of contractors, industrial plants, utilities and other purchasers of electrical supplies, including wire and cable, electric heating, lighting and electrical distribution products.

The Division's scope also includes a number of high-growth engineered-plastic products (Lexan, Noryl), specialty compounds such as Silicones, and advanced technology hard-metal products (Carboloy, Borazon and man-made diamonds).



Moving and storing Canada's vital data

Moving and storing data continued to be a major business of the Division in 1973.

Canadian resource, manufacturing and trading industries use standard telephone circuits to take advantage of a unique combination of advanced time-sharing and batch-computing technologies offered by the Company.

For example, a Canadian oil company feeds oil-well data from Arctic drilling sites into the Canadian General Electric computer network, which analyzes the information and reports the results of the analysis to oil-company offices in Calgary, Edmonton and Toronto.

In the business of transferring information, Company sales of TerminiNet 300 data-communications terminals doubled in 1973. By the end of the year, more than a thousand of these terminals were in use across the country.

Meanwhile, telecommunications technology is racing ahead. Over 50 new TerminiNet 1200 terminals were installed last year. The TerminiNet 1200 is capable of printing 120 characters per second, which is 12 times faster than the usual transmission speed.

1 Using the CGE computer network, one large Canadian oil company effectively analyzes results from oil-well instruments at Arctic sites.

2 Traffic signals and controls: vital contributors to community safety programs. CGE is the only Canadian manufacturer of a complete line of this equipment.

3 Metropolitan Toronto's new computerized police communications system will allow a split-second efficiency in responding to crime.



Nuclear now looming as energy resolution

In 1973, the Division's Nuclear and Chemical Department received orders for more than \$30,000,000 worth of nuclear fuel, including the initial charge and two years' of replacement fuel for the four reactors at Ontario Hydro's Bruce nuclear generating station.

Canadian General Electric is also designing and supplying the fuel-handling system for the Bruce station, an outstanding example of Canadian nuclear-age technology.

Metro Police system among most modern

At the end of 1973, Canadian General Electric was helping the Metropolitan Toronto Police convert their communications system into one of the most modern in the world.

Division employees are installing a 12-channel, 24-frequency computerized system to provide split-second communication through the facilities of six radio communications towers, two master computers, 713 mini-computer radios in cruisers, and 15 dispatcher consoles.

The new system will facilitate immediate police reaction to crime calls. The police believe that there is a 76 per cent chance for arrest of a suspect if they can respond to a call within 30 seconds of a crime.

The system can be expanded from the present 713 cruisers to 2,000.



Consumer Products Division

The majority of Canadians regard Canadian General Electric as a manufacturer of modern appliances, labour-saving housewares, and home entertainment products.

Consistent high quality, contemporary product design and excellent service have earned the repeat patronage of generations of Canadian consumers.

The Major Appliance Department experienced its third consecutive year of unprecedented growth during 1973.

Intensive business efforts were centred on modernization of the major-appliance manufacturing processes to improve quality to increase capacity and to help offset inflationary material and labour costs.

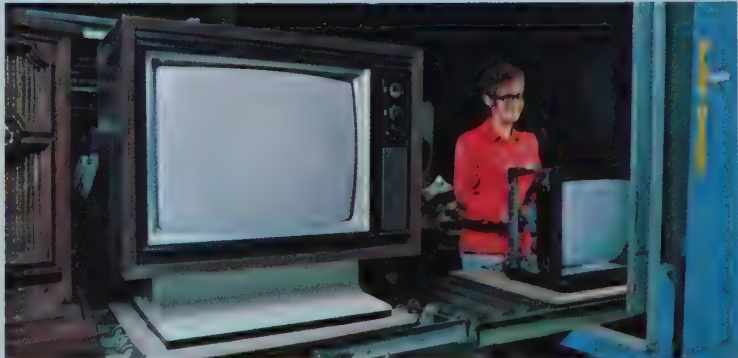
For example, the vitreous enamel process at the Montreal major appliance plant was changed to eliminate a ground-coat and to apply a finish-coat directly to specially-prepared steel. The result is better enamel adhesion and a product finish which is less prone to chipping.

The Company's housewares plant at Barrie, Ontario, which produces 25 different product lines, experienced the highest growth rate in its history. The plant achieved substantial improvement in productivity and operated at capacity.

Canadian General Electric also maintained its leadership position in the general lamp (light bulb) market and achieved a 25 per cent increase over 1972 in sales of photographic lamps.

The emphasis by Canadian retailers on new merchandising concepts which use decorative bulbs is also producing growth opportunities for the Company's lamp business.

The Division introduced its new all-solid-state chassis for colour television receivers, providing viewers with significant improvements in reliability and performance. An all-new regular line of television consoles with improved styling and features also contributed to appreciable growth recorded by the Company's home entertainment business.



1 Under production at the Barrie plant, this new electric lawnmower with the flick of a switch, gives the operator 20 per cent more power when the mowing gets tough.

2 Further impetus to the growing market for lamps used for photography was provided in 1973 by the introduction of this Flashbar 10 flash-array

3 This colour television receiver incorporates an all-solid-state chassis introduced in 1973 giving significant improvements in reliability and performance.

4 This new three-heat hair dryer has snap-in vibrating combs for detangling, and comb attachments for hair styling.

Product introductions highlight successful year

New consumer products introduced during 1973 included:

- the self-cleaning steam iron
- the Flashbar 10 flash-array for the new Polaroid SX-70 Land Camera
- a portable microwave oven with a glass ceramic dish designed for browning, frying and searing
- a commercial dishwasher with a 60-second wash cycle ideal for small to medium-sized restaurants
- a hair styling dryer-detangler
- the world's smallest (1/20th of an inch) solid-state lamp which is used for applications requiring tight spacing on printed circuit boards.
- a compact dual-heat, fan-forced portable heater

Customer satisfaction objective of new Index

The Consumer Products Division introduced a significant new procedure to try to ensure that its customers are provided with the best possible service. The Customer Satisfaction Index provides management with a weekly measurement of the consumer product service organization in terms of its response-to-call time, availability of parts, technical service competence, and reliability on delivery promises.

5 Calls from consumers requiring product service within a 50-mile radius of Toronto are handled by this communications centre. Dispatchers, who are in regular radio contact with the Company's 45 service vehicles in the area, can tell the caller immediately when a service technician will be available.



1973 Financial summary

The comments in this Financial Summary relate to significant items appearing in the consolidated financial statements on pages 17, 19 and 21, generally in the same order as they appear in those statements. As an aid in evaluating the data in this Financial Summary, significant accounting and reporting principles and policies followed by Canadian General Electric Company Limited are printed in blue.

Consolidated financial statements and accompanying schedules in this Report are a consolidation of the accounts of Canadian General Electric Company Limited and its wholly-owned subsidiary companies, except the wholly-owned sales finance subsidiaries. Sales finance subsidiaries have not been consolidated because their operations are not considered material to those of the consolidated group. Condensed consolidated financial statements for the sales finance subsidiaries, Genelcan Limited (formerly Canadian General Electric Credit Limited) and its subsidiary, Genelco Realty Limited, are shown on page 20. All inter-company transactions and profits thereon have been eliminated in the consolidated financial statements. Transactions in foreign currencies are translated at the rate of exchange in effect at the time of the transactions and balances in foreign currencies are translated at rates of exchange in effect at the year-end dates.

Net earnings amounted to a record \$20.8 million, 12% higher than the \$18.6 million for 1972, and include the net income of sales finance subsidiaries. Cost control and reduction efforts continued to be an important element in earnings improvement. Earnings per common share were \$2.64 in 1973 compared with \$2.35 in 1972. Fully diluted earnings per share, assuming conversion of all convertible preferred shares, were \$2.54 in 1973 and \$2.27 in 1972. The Company paid dividends of \$1.00 per share to common shareholders and \$1.25 per share to preferred shareholders. The year 1973 was the 44th consecutive year in which dividends have been paid to common shareholders. As of December 31, 1973, there were 1 486 voting shareholders of record.

Sales of products and services to customers are reported in operating results only as title to products and materials passes to the customer and as services are performed as contracted. Sales in 1973 totalled \$583.4 million, an increase of 10% over the 1972 record level. This increase of \$53.2 million reflected continued strength in consumer markets and an improvement in domestic and foreign markets for apparatus and heavy machinery. Direct and indirect export sales totalled \$48.6 million.

Comparative sales for each major category of business appear with the highlights of operations on page 1.

Other income amounted to \$3.2 million in 1973, an increase of \$1.3 million over 1972, and includes revenues from royalty and other technical agreements (\$0.6 million), income from customer financing (\$1.6 million), income from other investments (\$0.8 million) and net earnings of non-consolidated sales finance subsidiaries.

Costs and expenses are classified in the statement of current and retained earnings according to the principal types incurred.

Employee compensation, including the cost of employee benefits, amounted to \$193.8 million for 1973 compared with \$178.2 million for 1972. Agreements reached with various labour unions are commented upon earlier in this Report.

Canadian General Electric and its subsidiaries have a number of pension plans. The most significant of these plans is the Canadian General Electric Pension Plan in which substantially all employees of the Company who have completed one year of service with the Company are participating and the obligations of which are funded through the Canadian General Electric Pension Trust. Condensed Pension Trust financial statements appear on this page.

The number of employees averaged 17 890 in 1973 compared with an average of 17 583 for the previous year. During 1973, 16 persons served as Company directors and 27 as Company

officers, including 4 who also served as directors. The aggregate 1973 remuneration to directors for their services as directors amounted to \$22 325 and the aggregate 1973 remuneration to Company officers was \$1 695 491.

Depreciation amounted to \$16.5 million in 1973 and \$17.2 million in 1972.

The diminishing balance depreciation method, based principally on income tax capital cost allowance rates, is used to depreciate assets other than the Heavy Water Plant and certain equipment leased to third parties, which are being depreciated on a straight-line basis.

Interest and other financial charges decreased to \$591 thousand in 1973 from \$773 thousand in 1972. The 1973 interest on long-term debt, which was repaid during 1973, amounted to \$50 thousand compared with \$218 thousand in 1972.

Provision for income taxes amounted to \$16.2 million in 1973. The comprehensive inter-period tax allocation basis is used to calculate the provision for income taxes and is based on the income and costs included in the statement of current and retained earnings on page 17. The tax effect of timing differences between book and taxable income is recognized and is reflected as deferred income taxes in the consolidated statement of financial position.

continued on page 18

Canadian General Electric Pension Trust – Condensed Financial Statement

Operating statement	1973	1972
(In thousands)		
Total assets at beginning of year	\$121 166	\$113 144
Company contributions	3 666	3 602
Employee contributions	2 865	2 371
Dividends, interest and sundry income	6 945	6 256
Investment appreciation recognized and capital gains	2 262	1 536
Pensions paid	(6 250)	(5 743)
Total assets at end of year	\$130 654	\$121 166

Financial position	December 31	1973	1972
(In thousands)			
Investments		\$121 438	\$113 746
Other assets (net)		9 216	7 420
Total assets		\$130 654	\$121 166

Based on an independent actuarial valuation at December 31, 1972 and after taking into account unrealized appreciation on investments not yet recognized, it is estimated that there is no unfunded liability at December 31, 1973. The market value of Pension Trust assets exceeded cost by \$17.9 million at the end of 1973.

In recognition of the long-term nature of the actuarially determined pension liabilities, investments of the Pension Trust are carried at cost plus a portion of unrealized appreciation recognized. This accounting reflects long-term market trends without giving effect to short-term fluctuations. The objective is to add to cost such amounts as will result in a common stock book value of approximately 75% of market value.

The earnings of the Pension Trust amounted to 7.7% for 1973 (1972 – 7.0%) compared with the 5.5% rate used for actuarial funding purposes. The earnings of the Pension Trust include the systematic recognition of a portion of unrealized appreciation in the common stock portfolio.

Consolidated statement of current and retained earnings

Canadian General Electric Company Limited and consolidated subsidiaries

	For the year	1973	1972
(In thousands)			
Income			
Sales of products and services	\$583 414	\$530 174	
Other income	3 203	1 870	
	586 617	532 044	
Costs and expenses			
Employee compensation, including benefits	193 844	178 242	
Materials, supplies, services and other costs	333 574	296 617	
Depreciation	16 481	17 241	
Taxes, other than on income	5 174	5 151	
Interest and other financial charges	591	773	
Income taxes	16 173	15 466	
	565 837	513 490	
Net earnings	20 780	18 554	
Dividends declared	8 344	8 346	
Amount added to retained earnings	12 436	10 208	
Retained earnings at beginning of year	196 914	186 706	
Retained earnings at end of year	\$209 350	\$196 914	
Net earnings per share , fully diluted, assuming conversion of all cumulative convertible preferred shares	\$ 2.54	\$ 2.27	

Receivables, less allowance for doubtful accounts, totalled \$104.1 million at the end of 1973, an increase of 20% from the \$87.0 million at the end of 1972, principally as a result of increased sales volume during the last quarter. Amounts shown include \$4.7 million owing by affiliated companies (\$1.6 million at the end of 1972). Long-term receivables are reported as other assets.

Inventories are summarized, by class, in a table on this page. Inventories at the end of 1973 were \$138.1 million compared with \$121.9 million at December 31, 1972. The increase in inventory levels from those at the previous year-end resulted primarily from a build-up of work-in-process necessary to complete finished products ordered during 1973 for 1974 delivery. At December 31, 1973, the Company had orders on hand for approximately \$588 million compared with \$451 million at the end of 1972.

Inventories are valued at the lower of cost and net realizable value using the First In First Out (FIFO) method except for a substantial portion of the copper content, for which the Last In First Out (LIFO) method is employed.

Working capital (current assets less current liabilities) increased by \$17.6 million to \$124.7 million at the end of 1973 as summarized in the consolidated Statement of Changes in Financial Position on page 21. The Company's working capital position remains healthy, with a ratio of current assets to current liabilities of 1.95 to 1 at the end of 1973 compared with 1.85 to 1 at the end of 1972.

Long-term investments include the Company's equity in sales finance subsidiaries *(carried at cost plus undistributed earnings since incorporation)* amounting to \$2.0 million at the end of 1973. *Other long-term investments are valued at the lower of cost and market value.*

Plant and equipment is valued at the original cost of land, buildings, equipment, and equipment leased to others, less accumulated depreciation. Details are shown in a table on this page. Additions to plant and equipment during 1973 aggregated \$14.2 million and retirements were \$5.1 million, a net increase of \$9.1 million in cost of plant and equipment. *Expenditures for maintenance and repairs are charged to operations as incurred.*

Costs recoverable under contract represents amounts receivable under terms of secured contracts with customers.

Short-term borrowings, due within one year, totalled \$1.6 million at the end of 1973 compared with \$9.1 million at the end of 1972. All short-term borrowings at these dates were from Canadian chartered banks.

Accounts payable, consisting principally of amounts owing for materials and services supplied by others, amounted to \$39.3 million at the end of 1973 compared with \$32.1 million at the previous year-end. Amounts due to affiliates at the end of 1973 were \$14.2 million and \$12.0 million at the end of 1972.

Other liabilities, expenses, and price adjustments accrued totalled \$51.8 million at December 31, 1973 compared with \$46.3 million at the end of 1972. A summary by major category appears on this page.

Capital stock of the Company is detailed in the table on page 20. The cumulative convertible preferred stock is convertible to common stock on a one-for-one basis at the option of the holder. During 1973, 1 147 of these shares were converted to common stock. The cumulative convertible preferred stock is entitled to an annual preferred dividend of \$1.25 per share. The special employees' cumulative preferred stock is redeemable, at par value, at the option of the employee. During 1973, 821 of these shares were redeemed. Under provisions of Section 62 of the Canada Corporations Act, \$704 thousand of retained earnings is classified as capital surplus, arising from redemption of 14 087 special employees' cumulative preferred shares, pending formal reduction of capital. The special employees'

cumulative preferred stock is entitled to an annual preferred dividend of \$2.50 per share.

Contingent liabilities. The Company is contingently liable under guarantee for certain bank loans amounting to \$3.7 million and notes payable by a sales finance subsidiary amounting to \$9.0 million. Other contingent liabilities, consisting of letters of credit, other guarantees, pending litigation and other claims are not material in relation to the financial position of the Company.

Inventories	1973	1972
	(In thousands)	
Raw materials and work in process	\$ 82 264	\$ 64 965
Finished goods	52 681	51 346
Unbilled shipments	3 154	5 635
	<u>\$138 099</u>	<u>\$121 946</u>

Plant and equipment	1973	1972
	(In thousands)	
Major classes as of December 31:		
Land and improvements	\$ 4 429	\$ 4 468
Buildings and structures	80 322	78 151
Machinery and equipment	232 203	225 271
Leasehold improvements	289	282
	<u>317 243</u>	<u>308 172</u>
Less accumulated depreciation:		
Buildings and structures	45 749	45 063
Machinery and equipment	126 945	115 210
Leasehold improvements	188	157
	<u>172 882</u>	<u>160 430</u>
Undepreciated cost at December 31 . . .	<u>\$144 361</u>	<u>\$147 742</u>

Other liabilities, expenses, and price adjustments accrued	1973	1972
	(in thousands)	
Employee compensation and benefits . .	\$ 13 674	\$ 12 310
Employee payroll deductions	3 689	3 118
Repairs and replacements under warranty	14 420	11 118
Accrued discounts and allowances . . .	5 635	5 258
Deferred income	325	318
Other	14 071	14 210
	<u>\$ 51 814</u>	<u>\$ 46 332</u>

Consolidated statement of financial position

Canadian General Electric Company Limited and consolidated subsidiaries

	December 31	1973	1972
Assets			
(In thousands)			
Current assets:			
Cash	\$ 1 416	\$ 4 272	
Short-term deposits	—	9 860	
Receivables	104 055	87 027	
Inventories	138 099	121 946	
Deferred income taxes	12 730	10 562	
	<u>256 300</u>	<u>233 667</u>	
Long-term investments	2 944	2 785	
Plant and equipment less accumulated depreciation	144 361	147 742	
Costs recoverable under contract	21 536	20 069	
Other	4 579	5 688	
	<u>\$429 720</u>	<u>\$409 951</u>	
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	\$ 1 618	\$ 9 083	
Accounts payable	39 289	32 113	
Progress collections	26 031	21 480	
Dividends payable	1 893	1 893	
Taxes payable	10 927	15 642	
Other liabilities, expenses, and price adjustments accrued	51 814	46 332	
	<u>131 572</u>	<u>126 543</u>	
Deferred income taxes	49 360	47 015	
General reserve	12 300	12 300	
Capital stock	27 138	27 179	
Retained earnings	209 350	196 914	
	<u>\$429 720</u>	<u>\$409 951</u>	

The Financial Summary beginning on page 16 and ending on page 20 is an integral part of this statement.

On behalf of the Board:

W. G. Ward, Director

A. S. Cartwright, Director

Capital stock	Number of shares authorized	Number of shares issued		Issued Capital		Dividends declared	
		1973	1972	1973	1972	1973	1972
(Dollars in thousands)							
Common stock, no par value	8 178 800	7 560 435	7 559 288	\$ 9 628	\$ 9 596	\$7 560	\$7 559
Cumulative convertible preferred stock, \$28 par value	625 000	618 365	619 512	17 314	17 346	773	775
Special employees cumulative preferred stock, \$50 par value	18 000	3 913	4 734	196	237	11	12
				<u>\$27 138</u>	<u>\$27 179</u>	<u>\$8 344</u>	<u>\$8 346</u>

Condensed consolidated statement of financial position of
Genelcan Limited

(formerly Canadian General Electric Credit Limited) and its subsidiary

Financial Position	December 31	1973	1972
(In thousands)			
Cash	\$	68	\$ 208
Net receivables (including instalments due after one year)		10 976	8 403
Other assets		113	24
Total assets		<u>\$11 157</u>	<u>\$8 635</u>
Notes payable and other accrued liabilities	\$	9 186	\$6 869
Capital stock		1 000	1 000
Retained earnings		971	766
Total liabilities and equity		<u>\$11 157</u>	<u>\$8 635</u>
Current and Retained Earnings For the year			
(In thousands)			
Earned income	\$1 208	\$1 033	
Expenses — Interest and discount	581	349	
— Provision for receivable losses	39	(19)	
— Other operating and administrative expenses .	177	107	
— Income taxes	206	291	
Net earnings	205	305	
Retained earnings at beginning of year .	766	461	
Retained earnings at end of year	<u>\$ 971</u>	<u>\$ 766</u>	

Auditors' report

To the Shareholders of Canadian General Electric Company
Limited:

We have examined the consolidated statement of financial position of Canadian General Electric Company Limited and consolidated subsidiaries as of December 31, 1973 and the consolidated statements of current and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company and consolidated subsidiaries at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Leat. Marwick. Mitchell & Co.

Chartered Accountants
Toronto, Canada
February 1, 1974

Consolidated statement of changes in financial position

Canadian General Electric Company Limited and consolidated subsidiaries

	For the year	1973	1972
		(In thousands)	
Source of funds:			
Current operations:			
Net earnings for the year	\$ 20 780	\$ 18 554	
Depreciation	16 481	17 241	
Increase in deferred income taxes — non-current	2 345	4 171	
	39 606	39 966	
Decrease in other assets	1 109	410	
Dispositions of plant and equipment	1 095	84	
	41 810	40 460	
Application of funds:			
Plant and equipment additions	14 194	15 042	
Dividends	8 344	8 346	
Increase in long-term investments	159	324	
Decrease in long-term borrowings	—	2 000	
Redemption of special employees' cumulative preferred stock	42	24	
Increase in costs recoverable under contract	1 467	6 679	
	24 206	32 415	
Net increase in working capital	17 604	8 045	
Working capital at beginning of year	107 124	99 079	
Working capital at end of year	\$124 728	\$107 124	
Analysis of changes in working capital:			
Cash and short-term deposits	\$ (12 716)	\$ 7 821	
Receivables — current	17 028	(6 933)	
Inventories	16 153	(8 620)	
Deferred income taxes	2 168	456	
Short-term borrowings	7 465	3 271	
Other current liabilities	(12 494)	12 050	
Net increase in working capital	\$ 17 604	\$ 8 045	

The Financial Summary beginning on page 16 and ending on page 20 is an integral part of this statement.

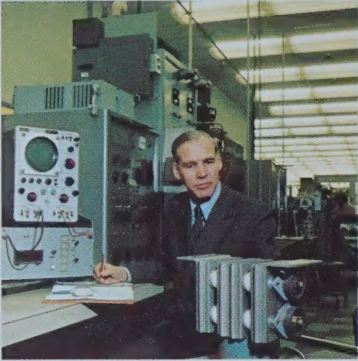
Ten year summary

(Dollar amounts in thousands; per share amounts in dollars)	1973
Sales of products and services	\$583 414
Net earnings	20 780
Net earnings per share (a)	2.54
Earnings as percentage of sales	3.6%
Market price of last sale of the year: Per common share	\$26.50
Per cumulative convertible preferred share	26.00
Cash dividends declared: Per common share	\$1.00
Per cumulative convertible preferred share	1.25
Current assets	\$256 300
Current liabilities	131 572
Total assets	429 720
Plant and equipment additions	\$14 194
Depreciation	16 481
Provision for income, property, and capital taxes	21 347
Average number of employees	17 890

(a) Assuming cumulative convertible preferred shares converted to common shares.

1972	1971	1970	1969	1968	1967	1966	1965	1964
530 174	\$495 755	\$489 992	\$492 341	\$454 674	\$427 363	\$415 879	\$365 992	\$324 382
18 554	14 456	12 209	15 701	14 630	14 531	18 453	16 575	17 056
2.27	1.77	1.49	1.92	1.79	1.77	2.25	2.02	2.08
3.5%	2.9%	2.5%	3.2%	3.2%	3.4%	4.4%	4.5%	5.3%
\$32.00	\$28.00	\$19.50	\$24.50	\$33.50	\$33.00	\$45.00	\$52.00	\$44.50
32.50	27.00	24.00	27.50	34.00	33.00	44.00	51.50	44.00
\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$0.625
1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
33 667	\$240 943	\$253 379	\$256 127	\$241 028	\$244 962	\$233 849	\$193 132	\$205 527
26 543	141 864	149 819	161 007	132 139	128 266	120 713	89 485	101 349
09 951	412 918	409 922	417 818	381 040	354 315	319 379	271 127	274 996
15 042	\$16 712	\$18 320	\$40 351	\$45 349	\$36 431	\$20 988	\$20 569	\$ 9 867
17 241	12 615	13 374	13 849	13 382	12 583	11 001	9 166	6 918
20 617	14 845	14 641	17 343	18 168	16 735	21 853	19 606	19 916
17 583	17 950	19 789	21 268	20 866	21 749	21 066	18 905	17 139

Generally speaking



Engineering innovator is silver medal winner

For a number of years, Colin Stairs of Peterborough, Ontario, has been an outstanding engineering innovator and a leader in the development of static exciters for large alternating current machines. He was instrumental in the development of Canadian General Electric's high-voltage direct-current power-transmission technology.

He has made technical presentations to many national and international technical bodies and is the author of 25 papers.

During 1973, the Montreal-born engineering physicist was awarded the Charles P. Steinmetz Silver Medal for "outstanding technical achievement over a sustained period".

Colin holds three patents on high-voltage direct-current transmission and has applied for another covering a much-improved method for railway electrification.

Colin is the first engineer outside of the United States to win this General Electric award.



Former war plant now appliance home

The Canadian General Electric Major Appliance plant on Notre Dame East in Montreal was built during the war to produce tanks and Bren-gun carriers. Today, the plant produces far more peaceful products.

highest Canadian content in the appliance industry, in many cases almost 100 per cent.

The Company purchased the plant in 1948 for the manufacture of washers, dryers, ranges and refrigerators. Continually being modernized and expanded, the plant now turns out seven product lines in more than 500 different models and colours. The end products have the

"Major" has more than 15,000 different operations, three miles of conveyors and 47 inplant vehicles. It uses 20,000 tons of steel a year and spends a million dollars per annum on paint and vitreous enamel.

More than 90 per cent of the supervisory personnel and all employees in manufacturing operations claim French as their mother tongue.



First major industry now pride of Cobourg

Look what can be done with an apple orchard, two old aircraft hangars and a little imagination. The nucleus for a major plastics plant can be created in Cobourg, 100 miles east of Toronto on Lake Ontario. At least it could in 1948.

Employment at the plant has grown four times and the payroll ten times since 1948.

Today, 25 years later, the Canadian General Electric Plastics plant has had three major additions which doubled its size to 140,000 square feet. It was the first major industrial complex in Cobourg and is still the second largest employer in the community.

Originally established to provide the Company with its plastic needs for a diversified line of electrical products, the Cobourg plant now sells 70 per cent of its production to other customers in Canada and the United States.

The plant today is one of the largest producers of custom-moulded plastics in North America.



Most up-to-date lamp plant also Canada's largest

The Company's Oakville, Ontario, Lamp plant celebrated its Silver Anniversary in 1973 and is the largest and most up-to-date light bulb manufacturing facility in Canada. There have been at least six major additions to the plant since ground was broken on the 27-acre site in 1948.

Oakville Lamp manufactures incandescent (the typical light bulb), fluorescent, and coloured decorator lamps and its 1973 shipments exceeded 86 million lamps.

Canadian General Electric Company Limited

Management

The Company's decentralized organization structure and varied managerial and professional development programs provide a broad range of opportunities for in-depth management experience and growth. The officers and general managers are shown below by area of responsibility.



